

Background

Members of the Public Employees' Retirement System (PERS), the State Employees' Retirement System (SERS) and the Teachers' Retirement System (TRS) must currently separate from service in order to qualify for retirement. The proposal would allow members who have attained age 70½ and meet the vesting requirements of their plans to apply for and receive retirement benefits without separating from service. Such individuals would continue to draw a salary but would cease active membership in their plans and would no longer accumulate service credit. The provision would not apply to state elected officials unless they leave elected office or are reappointed or reelected after the effective date of the act.

Committee Activity

Presentation:

December 16, 2003 – Full Committee Meeting

Recommendation to Legislature

None

Staff Contact

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Select Committee on Pension Policy

Age 70½

(December 10, 2003)

Issue

Allow members of PERS, SERS, and TRS plans 1, 2 and 3 who have attained age 70½ and meet the vesting requirements for their plans to apply for and receive retirement benefits without separating from service. Such individuals would continue to draw a salary but would cease active membership in their plans and would no longer accumulate service credit. The provision would not apply to state elected officials unless they leave elected office or are reappointed or reelected after the effective date of the act.

Staff

Laura Harper (360) 586-7616

Members Impacted

This proposal would impact the 470 members of PERS, SERS and TRS plans 1, 2 and 3 who are still working at age 70½ and are eligible to receive benefits.

Current Situation

Currently members of PERS, SERS, and TRS plans 1, 2 and 3 must separate from service in order to qualify for retirement.

History

In 1988 the legislature changed the Judicial, Judges, LEOFF, TRS, PERS, and WSPRS systems to allow vested members to apply for their retirement benefit after reaching age 70½ without separating from service. The stated purpose of the change was to conform to federal tax law, and the new provision was codified as RCW 41.04.065. The provision also allowed members to continue making contributions and earning service credit while receiving their retirement allowance.

RCW 41.04.065 was repealed in 1991. Current federal law does not require the State of Washington to distribute a retirement benefit to a vested member of a qualified governmental plan who is still working and has reached the age of 70½.

During the 2002 Interim the Joint Committee recommended that members of PERS, SERS, and TRS plans 1, 2 and 3 who have attained age 70½ and meet the vesting requirements of their plan be allowed to apply for retirement benefits without requiring that they separate from service. However, this recommendation did not allow such retirees to continue to make contributions and earn service credit. This proposal was introduced during the 2003 session as SB5093/HB 1209. The bill passed in the Senate but did not receive a hearing in the House.

Policy Analysis

Members of Washington's various retirement plans are paid benefits in accordance with the minimum distribution rules of the Internal Revenue Code. Section 401(a)(9)(C) of the Code codifies the minimum distribution rules applicable to qualified governmental plans. These rules require such plans to begin making payments to members by no later than a participant's "required beginning date." The required beginning date for a participant in a governmental plan is the April 1 following the **later of** the calendar year in which the member reaches age 70½ or the calendar year in which the member retires.

Washington's retirement plans meet the minimum distribution requirements of federal law. Thus the question before the committee is whether to grant an additional benefit to vested members who have reached age 70½.

Options

Only one option is proposed.

Fiscal Impact of Options

The cost of this bill is insufficient to affect contribution rates.

Administrative Impact (DRS)

Input requested.

Executive Committee Recommendation

The Executive Committee has forwarded this proposal to the full committee for consideration.

Bill Draft

See attachment.

Fiscal Note (Draft)

See attachment.

FISCAL NOTE – DRAFT

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	12/09/03	Z-0941.1.1/04

SUMMARY OF BILL:

This bill impacts all of the plans of the Teachers' Retirement System (TRS), the School Employees' Retirement System (SERS) and the Public Employees' Retirement System (PERS) by permitting vested members who attain age 70½ to apply to the Department of Retirement Systems to begin their benefits without requiring that they separate from service. Upon retirement an individual may continue to work but ceases active membership and no longer makes contributions nor receives service credit. Current state elected and appointed officials are exempt from this act unless they leave elected office, are reappointed or re-elected after the effective date of the act.

Effective Date: 90 days after session.

CURRENT SITUATION:

Current law requires members of TRS, SERS, and PERS to retire before benefits begin regardless of age. This generally requires a member to first separate from service and then apply to the Department of Retirement Systems for retirement.

MEMBERS IMPACTED:

We estimate that approximately 470 members are age 70½ and eligible to receive benefits.

FISCAL IMPACT:

The cost of this bill is insufficient to affect contribution rates.

1 AN ACT Relating to allowing members of the teachers' retirement
2 system, the school employees' retirement system, and the public
3 employees' retirement system to begin receiving benefits without
4 leaving service at age seventy and one-half; adding a new section to
5 chapter 41.32 RCW; adding a new section to chapter 41.35 RCW; and
6 adding a new section to chapter 41.40 RCW.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32 RCW
9 under the subchapter heading "provisions applicable to plan 1, plan 2,
10 and plan 3" to read as follows:

11 Upon attainment of age seventy and one-half, an employed member
12 may, subject to this section, apply for the retirement benefit the
13 member is otherwise eligible to receive and remain employed without
14 reduction in their pension. The retirement benefit begins to accrue on
15 the first day of the calendar month following the month that a member
16 applies for a retirement benefit and has attained age seventy and one-
17 half. The benefit shall be calculated in accordance with the rules of
18 the member's plan, except that the member may continue to be employed.

1 Upon retirement, the retiree is no longer an active member and may not
2 make contributions, nor receive service credit, for future periods of
3 employment while receiving his or her retirement allowance.

4 This section does not apply to any member who is a state elected
5 official on the effective date of this act, unless that member leaves
6 elected office or is reappointed or reelected after the effective date
7 of this act.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.35 RCW
9 under the subchapter heading "provisions applicable to plan 2 and plan
10 3" to read as follows:

11 Upon attainment of age seventy and one-half, an employed member
12 may, subject to this section, apply for the retirement benefit the
13 member is otherwise eligible to receive and remain employed without
14 reduction in their pension. The retirement benefit begins to accrue on
15 the first day of the calendar month following the month that a member
16 applies for a retirement benefit and has attained age seventy and one-
17 half. The benefit is calculated in accordance with the rules of the
18 member's plan, except that the member may continue to be employed.
19 Upon retirement, the retiree is no longer an active member and may not
20 make contributions, nor receive service credit, for future periods of
21 employment while receiving his or her retirement allowance.

22 This section does not apply to any member who is a state elected
23 official on the effective date of this act, unless that member leaves
24 elected office or is reappointed or reelected after the effective date
25 of this act.

26 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW
27 under the subchapter heading "provisions applicable to plan 1, plan 2,
28 and plan 3" to read as follows:

29 Upon attainment of age seventy and one-half, an employed member
30 may, subject to this section, apply for the retirement benefit the
31 member is otherwise eligible to receive and remain employed without
32 reduction in their pension. The retirement benefit begins to accrue on
33 the first day of the calendar month following the month that a member
34 applies for a retirement benefit and has attained age seventy and one-
35 half. The benefit shall be calculated in accordance with the rules of
36 the member's plan, except that the member may continue to be employed.

1 Upon retirement, the retiree is no longer an active member and may not
2 make contributions, nor receive service credit, for future periods of
3 employment while receiving his or her retirement allowance.

4 This section does not apply to any member who is a state elected
5 official on the effective date of this act, unless that member leaves
6 elected office or is reappointed or reelected after the effective date
7 of this act.

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